ACTUARIAL NOTE
REGULAR SESSION 2009

Senate Bill 264: SLS 09RS-228
Engrossed/ No Amendments

Authors: Senators Kostelka and Morrell
May 12, 2009

LA # 31.01
SHERIFFS' PENSION AND RELIEF FUND

EG 5YR Ttl: The cost cannot be determined.
See Actuarial Analysis.

Preparation of this Note was directed by the Actuarial Services Division of this office

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Bill Header: Provides relative to the authority of the Board of Trustees. (06/30/09)

Estimated Fiscal Impact

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	See below	0	0	0	See below
Annual Total	0	See below	0	0	0	See below

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	0	0	0	0	0	0

Purpose:

Establishes a Funding Deposit Account that may be used by the Board to reduce contributions that may otherwise be due to the Fund.

Bill Provisions:

Relative to the Sheriff's Pension and Relief Fund (SPRF); establishes a Funding Deposit Account into which surplus contributions will be deposited, accumulated, and dispersed in at the discretion of the Board of Trustees (Board).

Existing Provisions:

Current law authorizes the Board to maintain the net direct employer contribution rate in effect during any fiscal year in which the rate would otherwise be decreased. Current law specifies that such excess contributions must be used in a specific order with the first such use being to reduce the unfunded accrued liability of the plan.

Proposed Provisions:

Proposed law provides that such excess contributions be deposited into a Funding Deposit Account and accumulated with interest at the valuation interest rate, which is currently 8.0% per year. The Board may elect to reduce the Funding Deposit Account in future years by all or a portion of the account balance. The Board, at its discretion, may use the amounts charged against the Funding Deposit Account to reduce the unfunded accrued liability, to reduce the present value of future normal costs, or to pay all or a portion of any future net employer contributions.

Actuarial Impact:

Actuarial Cost Impact:

1. Assets in the SPRF will be less after the 2010-11 fiscal year than what they would have been had Senate Bill 264 not been enacted.

2. As a result, the unfunded accrued liability of SPRF will be greater by an identical amount.

3. The decrease in assets (increase in unfunded accrued liability) will depend on the investment performance of SPRF over the period January 1, 2009 through December 31, 2010.

4. Actuarial costs cannot be determined until December 31, 2010.

Potential Accrued Liability:

Senate Bill 264 will have no impact on the actuarial accrued liability for SPRF. However, the unfunded accrued liability for SPRF will be affected, most likely in a negative manner.

Actuarial Analysis:

The table below shows the increase in the unfunded accrued liability that would occur under alternative assumptions about annual rates of return on investments for 2009 and 2010.

Increase / (Decrease) in the Unfunded Accrued Liability Associated with Senate Bill 264 (Dollars)

Actual Annual Earnings Rate	Funding Deposit Account on 12/31/2010	Cost/(Savings)
10.0%	$ 36.1 million	$ (1.1) million
8.0%	35.0 million	0.0 million
5.0%	33.4 million	1.6 million
0.0%	30.9 million	4.1 million
-5.0%	28.4 million	6.6 million
-10.0%	26.0 million	9.0 million
-15.0%	23.8 million	11.2 million

The following assumptions were made in preparing the above estimates.

1. As a result of investment losses, contribution requirements for SPRF for the 2010-11 fiscal year – based on the June 30, 2009 actuarial valuation - will be significantly larger than the requirements for prior years.

2. The Board of Trustees will use the balances in the Funding Deposit Account as of December 31, 2010 to reduce contributions that would otherwise be required.

3. It is likely that annual rates of return on plan assets will be less than the assumed rate of 8.0%.

These costs are based on projections made using general approximation techniques. The "true" cost will depend on actual investment returns during the period from January 1, 2009 through December 31, 2010.

Fiscal Impact:

Changes in the unfunded accrued liability for SPRF will affect the June 30, 2011 actuarial valuations and employer contribution requirements for the 2012-13 fiscal year.

Dual Referral Rules:

Estimated Fiscal Impact>= $500,000? **NO**